
AUDIT REPORT



THE GRANTS MANAGEMENT CENTER'S OPERATIONS

2002-AO-0001

JULY 12, 2002

OFFICE OF AUDIT, CAPITAL DISTRICT
WASHINGTON, DC



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TO: Paula Blunt, General Deputy Assistant Secretary for Public and Indian Housing, P

[Signed]

FROM: Sandra G. Elion, District Inspector General for Audit, Capital District, 3GGA

SUBJECT: The Grants Management Center's Operations

As part of the Office of Inspector General's on-going review of the Department of Housing and Urban Development's (HUD) progress in implementing HUD's 2020 Management Reform Plan (HUD 2020), we completed an audit of the Office of Public and Indian Housing's Grants Management Center (GMC). The report contains two findings.

Within 60 days, please provide us with a status report of corrective actions taken on each recommendation made in this report. The status report should be prepared in accordance with Appendix 6 of HUD Handbook 2000.06 REV-3 and should include the corrective action taken or proposed corrective action and the date to be completed, or why the action is considered unnecessary. Also, please furnish us copies of any correspondence or directives issued because of this review.

Should you have any questions, please call me at (202) 501-1330.

Executive Summary

As part of the Office of Inspector General's on-going review of HUD's progress in implementing HUD 2020, we completed an audit of GMC to determine whether GMC is operating as intended, and whether consolidation of the grant process resulted in increased efficiency.

PIH created GMC to streamline and increase the efficiency of those activities pertaining to categorical and formula grant programs. Our evaluation showed that consolidation has streamlined PIH's grant processing activities, and that the mainstream programs and Operating Fund grants were awarded properly. However, GMC's management could not demonstrate that the staff complied with established procedures when rating and ranking grant applications or that it had increased the efficiency of the grant process.

Rating and ranking procedures not followed

GMC staff did not comply with procedures established to assure continuous supervisory review of the Resident Service Delivery Models Program (Resident Service) grant rating and ranking process. As a result, reviewers awarded scores that contained arithmetic errors and were unsubstantiated by their written comments. Therefore, GMC ranked applications for funding and compiled the list of best-qualified applicants for funding based on unsubstantiated scores.

Baselines and goals not established

GMC management did not compare actual operations to planned or expected results. Instead, GMC tried to link its activities to HUD's strategic goals (see Appendix A). Therefore, management could not show how efficient the grant process has become as a result of the creation of GMC. Further, GMC had not established baseline information or specific performance goals and indicators applicable to grants management. Without such baseline information, goals, and indicators, GMC was unable to truly demonstrate that it had increased the efficiency of the process.

Recommendations

To help assure that Resident Service applications are thoroughly and objectively reviewed, scores are substantiated by comments, and errors are mitigated, we recommend that GMC's director assign an individual, at least one level of management above the grant administrator, the responsibility for monitoring and testing controls over the grant rating and ranking process.

To improve the management of GMC, we recommend that GMC's director: (1) develop baseline information; (2) establish performance goals to monitor performance in terms of quality, timeliness, and cost; and (3) develop key performance indicators that compare actual performance to goals.

We provided a draft of this report to the General Deputy Assistant Secretary of Public and Indian Housing and other senior HUD management officials on May 14, 2002, for comment. We held an exit conference with GMC officials on June 5, 2002. The General Deputy Assistant Secretary provided her written response to the draft report in a memorandum dated June 28, 2002. We have summarized and evaluated the response in the findings and included the memorandum in Appendix B of this report.

Table of Contents

Management Memorandum	i
-----------------------	---

Executive Summary	ii
-------------------	----

Introduction	1
--------------	---

Findings

1	Resident Service Applications Were Improperly Ranked	6
2	GMC Needs To Develop Baseline Information And Performance Goals And Indicators	12

Management Controls	16
---------------------	----

Appendices

A	GMC's Role in HUD	18
B	Auditee Comments	19
C	Distribution	22



Abbreviations

GMC	Grants Management Center
HUD	Department of Housing and Urban Development
PIH	Public and Indian Housing
NOFA	Notice of Funding Availability

Introduction

To improve its operations, HUD developed HUD 2020 to focus on managing programs and people more responsibly and efficiently. HUD 2020 realigned HUD along functional lines, placing greater reliance on automation, contracting out, and consolidating administrative and routine paperwork functions in “back office” processing centers. HUD believed that consolidating administrative and routine paperwork functions into more efficient “back office” processing centers would free field office staff to better deliver and oversee program activities. For example, before HUD 2020 PIH used a hybrid process for processing grants that involved both headquarters and field office staff. Field office staff screened grant applications to determine whether the applications were complete and received on time and the applicant was eligible to receive a grant. In the case of categorical grants, headquarters scored and ranked applications, selected applicants for award, and made funding assignments. In the case of formula grants, headquarters applied the formula and made funding assignments. After headquarters completed its processing, the field offices assumed responsibility for executing grant agreements, monitoring the grants, and closing out the grants.

HUD 2020 centralized the PIH grant processing responsibilities for categorical and formula grants into one grants center (GMC). The creation of GMC was intended to streamline and increase the efficiency of the administrative functions pertaining to PIH categorical and formula grant programs.¹ The primary reason for creating a single grants center was to increase uniformity and standardization of the process. HUD believed that increased uniformity and standardization would result in a more streamlined grant process.

GMC became operational in October 1998. In December 2000, GMC had a staff of 27 full-time employees. GMC also paid approximately \$1.5 million for contract support to assist in processing grants in a timely manner. The contractor is expected to perform a range of activities including:

- Develop an overall GMC Support Plan and specific Grant Review Support Plan for each grant review.
- Assist GMC in obtaining reviewers with the appropriate expertise and skills to assess applicants for funding.
- Provide logistical support for each grant review.
- Assist with reviewer training.
- Design and develop training tools/documents and standard Grant Review Guidebooks.
- Provide onsite database support, including data entry, validation, reconciliation, quality control and modifications as necessary.
- Prepare funding notification documents.
- Prepare status, progress, and ad hoc reports documenting the review process, results, and annual summary of GMC accomplishments.
- Track funding and related activities and reconciliation of actual status in funding cycle.

¹ Excludes Office of Native American Programs.

GMC performs some grant-processing activities previously performed by multiple PIH headquarters and field offices. However, PIH headquarters and field offices maintained responsibility for the assignment, reservation, and obligation of funds as well as monitoring grantees. GMC's Categorical Grants Processing Division is responsible for conducting the categorical grant applications process. This includes reviewing, rating, and ranking applications and providing PIH headquarters program offices with a listing of the final ranking of applications eligible for funding. GMC's Formula Grants Processing Division is responsible for administering and processing formula grants. This includes determining the grant amount for each Public Housing Authority, notifying grantees of their grant awards, and preparing grant approval and fund reservation/obligation documents.

In FY 2000, GMC processed grant awards for categorical programs totaling approximately \$540 million and formula programs for \$6.1 billion. In FY 2001, GMC processed grant awards for categorical programs totaling approximately \$660 million and formula programs totaling \$6.2 billion. These grants included the categorical grants of the Housing Choice Voucher program (formerly known as Section 8) and the Resident Opportunities and Self Sufficiency Program, as well as the formula grants for the Public Housing Drug Elimination Program, the Capital Fund Program, and the Operating Fund (Table 1).

Table 1: Grant Awards Processed by GMC – FY 2000 and FY 2001 Grant Cycles

Grant Program	FY 2000			FY 2001		
	Applications Received	Applications Funded	Amount Funded	Applications Received	Applications Funded	Amount Funded*
CATEGORICAL						
Housing Choice Vouchers (Section 8)						
Fair Share	683	501	\$352,598,385	639	476	\$447,718,817
HISAP	N/A	N/A	N/A	65	11	10,000,000
Mainstream	538	63	61,857,171	277	61	66,924,490
Designated Housing	29	22	15,219,091	18	15	12,839,796
Certain Developments	14	12	8,567,640	18	15	13,911,338
Family Unification Program	132	59	24,603,492	117	18	5,073,610
Family Self Sufficiency	643	618	21,905,391	782	735	45,000,000
Resident Opportunity & Self Sufficiency						
Apprenticeship	N/A	N/A	N/A	89	7	3,277,526
Resident Management. & Business Development	70	63	6,275,000	66	44	4,396,320
Capacity Building	25	20	3,178,343	18	6	1,020,000
Conflict Resolution	4	2	480,000	12	3	720,000
Resident Services Delivery Models	249	113	30,361,275	345	126	34,343,172
Service Coordinator	122	118	12,034,294	150	146	14,420,508
Other Categorical Programs						
Drug Elimination Technical Assistance for Safety and Security	8	3	1,140,000	N/A	N/A	N/A
Gun Buy Back	100	100	2,058,848	N/A	N/A	N/A
TOTAL -- CATEGORICAL	2,617	1,694	\$540,278,930	2,596	1,663	\$659,645,577
FORMULA						
Public Housing Drug Elimination Program	N/A	1,003	\$ 241,495,543	N/A	999	\$ 249,143,840
Capital Fund	N/A	3,166	2,766,251,218	N/A	3,163	869,263,465
Operating Fund	N/A	3,066	3,102,879,854	N/A	3,089	3,096,381,454
TOTAL -- FORMULA	N/A	7,235	\$6,110,626,615	N/A	7,251	\$6,214,788,759
OVERALL TOTAL	2,617	8,929	\$6,650,905,545	2,596	8,914	\$6,874,434,336

* Total Amount Funded includes available carryover funding

**Audit objectives, scope,
and methodology**

The objectives of our audit were to evaluate whether GMC was operating as intended by HUD 2020 and the consolidation of the grant process has resulted in increased efficiency.

We performed fieldwork at HUD headquarters and GMC offices located in Washington, DC. We focused on GMC's operations during the FY 2000 and FY 2001 grant cycles.

The evidence gathering and analysis techniques used to accomplish our objectives included obtaining an understanding of:

- How GMC should operate by reviewing key documents in the transfer of grant processing responsibilities from PIH headquarters program and field offices to GMC;
- The nature and organization of GMC and the functions it performs;
- GMC's program operations controls;
- The results of Front-End Risk Assessments performed by the Chief Financial Officer's Office; and
- How GMC administered the FY 2000 allocation of funds under the Operating Fund.

We flowcharted PIH's procedures (prior to and subsequent to the formation of GMC) for awarding categorical grants to determine whether consolidating activities under GMC streamlined the grant processing function.

In addition, we evaluated the effectiveness of controls over the selection of applications for funding by selecting three categorical grant programs (Section 8 Mainstream 1- and 5-year programs and the Resident Service program).

- Mainstream applicants were awarded funding based on a lottery. We randomly selected 50 of the 538 applications for detailed review.
- Resident Service applicants were recommended for funding based on rating and ranking factors assigned by GMC. We randomly selected 50 of the 249 applications reviewed during the FY 2000 grant cycle and 51 of the 126 applications funded during the FY 2001 grant cycle for detailed review.

We also interviewed GMC management and staff.

We conducted the audit in accordance with generally accepted Government Auditing Standards.

Resident Service Applications Were Improperly Ranked

GMC staff completed reviews of the Resident Service grant applications in a timely manner, had controls procedures to ensure fair assessments of applications, and defined oversight roles and responsibilities. However, the staff did not comply with procedures established to ensure continuous supervisory review of the grant rating and ranking process. This led to scores that were arithmetically incorrect and unsubstantiated by reviewers' written comments. As a result, GMC provided the decision-makers a list of eligible applicants based on unsubstantiated scores.

Resident Service application review and selection process

The Notice of Funding Availability (NOFA) required three reviews for the Resident Service program. The NOFA required a review to: (1) determine if an application was complete and submitted on time; (2) determine if an applicant was eligible; and (3) score applications based on five rating factors. To be considered for funding, a minimum score of 55 was required in FY 2000 and 70 in FY 2001. The maximum score an applicant could receive was 102 and 104 points respectively. To accomplish these reviews and score applications, GMC formed review teams comprised of team leaders and reviewers to review Resident Service applications. A grant administrator was to oversee the entire process to ensure that reviewers and team leaders reviewed applications thoroughly and objectively.

HUD designed its selection process to achieve geographic diversity of grant awards throughout the country. To accomplish this, HUD selected the highest ranked applications from each of the ten Federal regions for funding. After round 1 HUD selected the second highest ranked applications from each of the ten Federal regions for funding. HUD continued this process until the last complete round. HUD made awards to those remaining applicants in rank order regardless of region and fully funded as many applicants as possible. The result was that HUD awarded \$30,361,275 to 113 applicants in FY 2000 and \$34,343,172 to 126 applicants in FY 2001.

GMC processed applications timely

GMC completed reviews of Resident Service applications in a timely manner and can measure whether staffs processed

applications according to established milestones and management's needs. GMC implemented the following processes to assure timely processing of applications:

- A system that tracks and measures the time it takes to process grants and notify applicants of grant awards.
- Schedules that delineate the steps and tasks to be performed and target dates for their completion. These schedules measure the time it takes to process applications from the time GMC receives an application through the field offices' execution of grant agreements and obligation of grant funds.
- Staff meetings to assess progress toward meeting milestone dates.
- Reports that measure progress toward completion of all reviews and the announcement of grant awards and obligation of funds.

We believe that these processes help minimize and prevent delays because GMC staff can quickly determine where the problems are and can take corrective action immediately.

**Controls provide fair
assessment of
applications**

GMC established appropriate grant application review controls to help reviewers fairly assess the merits of each application. Reviewers received training on how to score applications against program criteria and how to prepare comments that substantiated their scores. Further, GMC prepared operating procedures and a reviewer's guide (ROSS/RSDM Reviewer's Guide) that clearly defined the reviewer's responsibilities and how the reviewer was to screen, review, and score applications. For example, Section 5 of GMC's Operating Procedures for the Resident Service program required that two reviewers evaluate each application and that they: (1) score applications consistent with the comments provided; (2) double-check scores to make sure that the scores had been entered correctly; and (3) match each factor and sub factor score to final summary scores for arithmetic errors. GMC's operating procedures also required reviewers to prepare strength and weakness comments that were specific, not general; and provide specific information about which element of the criteria was being considered and where the weakness or strength was located in the application.

Ineffective fulfillment of oversight responsibilities

Although GMC established procedures to assure that staff evaluated Resident Service applications fairly, we found that supervisory reviews were ineffective. Specifically, the rating and ranking process did not ensure that PIH funded the best applications and the most innovative ideas.

FY 2000 Grant Cycle. This condition is directly attributable to the team leaders and grant administrator not providing the necessary oversight, verification, and reviews of the team's score sheet. Even though reviewers, team leaders, and the grant administrator signed the score sheets, three score sheets contained arithmetic errors and scores for 42 of the 43 applications eligible for funding were unsubstantiated by the reviewers' comments. The arithmetic errors we found were not significant and did not result in incorrect funding; however, such lax controls could result in less qualified applicants receiving funding for this very competitive grant program (less than 50 percent of the applications were funded). Errors such as these would have been identified and corrected by the team leader and grant administrator had they executed their established roles and responsibilities.

The written comments made by the reviewers did not substantiate the scores assigned to various factors. In one instance, a reviewer awarded 102 points, the highest score possible, but the reviewer's comments stated that the applicant "meets criteria." Neither this reviewer's team leader nor the grant administrator required the reviewer to provide more specific comments to substantiate the maximum score.

We also found other instances where it was not evident that the reviewer even reviewed the application. These instances typically occurred when one reviewer awarded the maximum score to a factor and another reviewer awarded a score significantly lower for the same factor. Some of these conflicting comments are shown in Table 2.

Table 2: Conflicting Review Comments

Reviewer No. 1	Reviewer No. 2
• Applicant showed no prior experience	• Applicant demonstrated experience
• Applicant did not provide MOUs or other documentation	• Applicant presented documentation
• No MOU or written agreement	• Applicant supports the verbiage with a MOU
• Applicant did not address this	• Applicant provides MOUs and letters
• Applicant does not provide a narrative	• All criteria are met
• No program in jurisdiction	• Terrific coordination
• Applicant fails to address	• Applicant addresses

Generally, we found that reviewers whose descriptions of an application's strong and weak points were less specific tended to score applicants higher than other reviewers. As a result, applications scored by these reviewers were more likely to be funded.

FY 2001 Grant Cycle. Although the quality of reviewers' written comments improved significantly for the FY 2001 grant cycle, the supervisory reviews were ineffective in assuring that scores were substantiated by reviewers' scores written comments.

Even though team leaders and the grant administrator reviewed score sheets, scores assigned to 30 of the applications we reviewed were not substantiated by the written comments. As in FY 2000, reviewers' comments were not specific, detailed and concise, or evaluative and referenced to the application. Neither the team leaders nor the grant administrator required reviewers to provide more specific comments to substantiate their scores. Consequently, the amount of resources spent on reviewing applications did not ensure substantiated scores.

Another quality control deficiency included changes being made to score sheets or strength and/or weakness statements without the person making the change initialing the change. Ten undocumented changes were made to the 51 applications we reviewed. These changes resulted in an average increase of 7 points (a range of 1 to 16 points) in the applicant's final score.

Applications ranked based on unsubstantiated scores

The poor quality controls over the rating assigned to the Resident Service applications submitted for funding raised concerns about the recommendations forwarded to the Assistant Secretary for PIH for selection and subsequent awards. Specifically, GMC provided the decision-makers a list of applicants for funding that were ranked on incorrect and unsubstantiated scores. Therefore, GMC did not ensure that the best-qualified applicants received funds to perform Resident Service program activities. Also, centralization of the grant processing activities has had no positive effect on the mitigation of inconsistent and nonobjective grant reviews. Moreover, the application rating process does not help demonstrate that PIH can efficiently manage its grant award process thus restoring the public's trust in HUD.

Auditee Comments

The GMC Director states that efforts are already underway to strengthen the review and ranking of applications that should provide reasonable confidence that application scores are accurate and appropriate. GMC now enters individual scores for all components of a rating factor into its database. The database performs edits and checks for potential errors. Consequently, the scores used for the final recommendations are mathematically correct. Further, the database produces error reports where data entered for any rating element is not within the range of possible parameters or inconsistent with predefined options. Applicable corrections are determined, verified, and made in the database.

OIG Evaluation of Auditee Comments

GMC's efforts to strengthen this area along with the assignment of an individual to monitor and test compliance with grant rating and ranking procedures should help ensure that staff are complying with established procedures.

Recommendations

We recommend that GMC's director:

- 1A. Assign an individual, at least one level of management above the grant administrator, to monitor and test compliance with the grant rating and ranking procedures established in the ROSS/RSDM Reviewer's Guide.

GMC Needs To Develop Baseline Information And Performance Goals And Indicators

Consolidating PIH's grant processing activities into GMC has streamlined the grant function as intended by HUD 2020. However, GMC was unable to demonstrate that it has increased the efficiency of the grant process. Instead of establishing GMC specific baseline information and performance goals and indicators, GMC tried to link its activities to HUD's strategic goals.

Consolidating activities within GMC has streamlined grant activities

Comparing PIH's grant processing activities before and subsequent to the creation of GMC shows that PIH has streamlined its grant processing activities. Before the creation of GMC, PIH used a hybrid process involving both headquarters and field staff to process, review, and award grants. Field offices performed the initial screening and review of grant applications then forwarded the screened applications to headquarters. In the case of categorical grants, headquarters scored and ranked those applications, selected applicants for award, and made funding assignments. In the case of formula grants, headquarters ran the formula and made funding assignments. After headquarters completed its processing, the field offices executed the grant agreements, provided on-going monitoring of the grant, and conducted the grant closeout.

An August 1999 Office of the Chief Financial Officer assessment of GMC found that the objective to streamline the grant application process had not been achieved because extensive field office staff involvement was required in 1998 and 1999. Beginning with the FY 2000 grant cycle, HUD's Super Notice of Funding Availability required grant applicants to submit their applications to GMC. That change allowed the flow of information to become simpler or streamlined. The key reason for this is that GMC no longer used field staff to help process and review grants applications.

Efficiencies not documented

Although PIH has streamlined the grant processing activities in accordance with the HUD 2020 concept, we could not evaluate whether HUD's consolidation of the grant process has resulted in increased efficiency because GMC did not develop or provide the decision-makers with data on how efficiency has improved.

Our review of key documents show that HUD did establish performance measures based upon processing grants timely, efficiently, and with integrity. Timely notification of grants awards, and minimal complaints by applicants were also included as standards for measuring GMC's success. However, GMC reported that its "role in increasing the efficiency of the grants management process supports HUD's mission of providing a safe and decent home, a healthy environment to raise children, and opportunities for a better way of life." GMC's criterion for measuring an increase in efficiency is inadequate because there are no documented benchmarks that can be used to measure the actual increases in GMC's efficiency.

We also could not determine if the grant consolidation process resulted in increased efficiency because GMC did not establish quantifiable performance indicators. We believe that quantifiable performance indicators are important because they can be used to measure GMC's actual progress against its stated goals. While GMC's performance indicators should relate to HUD's overall goal, they should also measure the increase in quality, timeliness, and cost of processing grants. Specifically, the performance indicators (as defined in HUD's Business Process Improvement Handbook) should have the following minimum attributes:

- Measurability (can be calculated from readily available data);
- Consistency (there is no ambiguity as to what should and should not be counted/measured);
- Controllability (achievement of the key performance indicator is within the control of the organization, division, or individual);
- Communicability (can be easily explained to both internal and external audiences);
- Timeliness (can be measured at the required frequency);
- Comparability (can be related to past performance); and
- Resilience (resistant to manipulation).

Since key performance measures were not established, we believe that GMC will be unable to measure whether the consolidation of the grant process has resulted in an increase in efficiency until it:

- Develops historical baseline/benchmark information; and
- Develops quantifiable indicators that directly relate to its operations and regularly compare these indicators against performance goals.

Auditee Comments

GMC feels that our recommendations are unclear and asked for further guidance as to baseline and measurement information requirements. Also, GMC asked us to remove the statement “GMC management did not compare actual operation to planned or expected results, instead tried to link its activities in HUD’s strategic goals” from the report. GMC management states it does not solely link activities to HUD’s Strategic and Business Operating Plan’s goals and objectives. GMC management stated that they use tracking tools to compare actual operation to planned or expected results. Further, since Appendix A is irrelevant, we should remove it from the report.

OIG Evaluation of Auditee Comments

We did not intend GMC to obtain pre-GMC information. GMC should baseline data on the current process that provides the metrics against which to compare improvements. GMC should request assistance from the Office of the Chief Information Officer (OCIO) for selecting and developing performance measures, establishing baselines, and tracking progress. Further, the OCIO can monitor GMC’s efforts to ensure compliance with the procedures set forth in HUD’s Business Process Improvement Handbook (Directive 3250.1).

We do not consider it necessary to change the report because the statement “The GMC’s role in increasing the efficiency of the grants management process supports HUD’s mission of providing a safe and decent home, a healthy environment to raise children, and opportunities for a better way of life” and Appendix A comes directly from The Grants Management Center’s Annual Report. While GMC may use management tools to track results, they do not provide decision-makers with data on how efficiency has

improved. Further, GMC has no documented benchmarks to measure the actual increases in efficiency.





Recommendations

We recommend that GMC's director:

- 2A. Develop baseline information for performance comparisons.
- 2B. Establish goals to monitor performance in terms of quality, timeliness, and cost.
- 2C. Develop key performance indicators that compare actual performance to goals.

Management Controls

Management controls are the organization, policies, and procedures used by agencies to reasonably ensure that: (1) programs achieve their intended results; (2) resources are used consistent with agency mission; (3) programs and resources are protected from waste, fraud, and mismanagement; (4) laws and regulations are followed; and (5) reliable and timely information is obtained, maintained, reported, and used for decision making.

Scope of work

We used the following classification of management controls to help focus on determining their significance to the audit objectives:

- Program operations: Controls over program operations include policies and procedures that management has implemented to reasonably ensure that a program meets its objectives.
- Validity and reliability of data: Controls over the validity and reliability of data include policies and procedures that management has implemented to reasonably ensure that valid and reliable data are obtained, maintained, and fairly disclosed in reports. These controls help assure management that it is getting valid and reliable information about whether programs are operating properly.
- Compliance with laws and regulations: Controls over compliance with laws and regulations include policies and procedures that management has implemented to reasonably ensure that resource use is consistent with laws and regulations.
- Safeguarding resources: Controls over the safeguarding of resources include policies and procedures that management has implemented to reasonably ensure that resources are safeguarded against waste, loss, and misuse.

We determined that program operations controls were relevant to the audit objectives. Therefore, we obtained an understanding of GMC's program operations controls through a review of the Front End Risk Assessments, inquiries of HUD officials, inspection of documents and records, and tests of procedures.

Significant control weaknesses

In performance audits, significant weaknesses in management controls are identified as the key cause of deficient performance. Significant weaknesses identified by our audit of GMC are:

- GMC staff did not comply with procedures established to ensure continuous supervisory review of the grant rating and ranking process (Finding 1).
- GMC management did not compare actual operational data to planned or expected results (Finding 2).

GMC's Role In HUD

HUD's Six Strategic Objectives	GMC's Role
<i>Increase Affordable Housing</i>	Through the timely and efficient processing of applications for the Housing Choice Voucher Program, GMC contributes to local communities' efforts to increase affordable housing.
<i>Reduce Homelessness</i>	As part of the application review process for various Housing Choice Voucher Programs, GMC reviews community plans formulated to address homeless issues.
<i>Fight for Fair Housing</i>	GMC promotes fair housing through proactive oversight of submissions regarding compliance with Federal anti-discrimination laws. In conjunction with FHEO, GMC reviews compliance requirements for Title VI of the Civil Rights Act of 1964, Title VII of the Civil Rights Act of 1968 (Fair Housing Act), and the Americans with Disabilities Act.
<i>Promote Jobs and Economic Opportunities</i>	GMC promotes jobs and economic opportunities through such grant programs as the Housing Choice Voucher and the ROSS Programs. The Housing Choice Voucher Program provides low-income families the ability to find housing near to employment and supportive services. The ROSS Program provides needed technical assistance and training to residents of public housing that assists them in becoming employed and self-sufficient.
<i>Empower People and Communities</i>	Through programs such as the Housing Choice Voucher Program, PHDEP, ROSS, and the Capital Fund, GMC provides the resources for PHAs to conduct the activities that empower and provide a better quality of life for the residents of public and assisted housing.
<i>Restore the Public Trust</i>	Through the streamlining and standardization of the processing of grant applications, appropriate oversight, and fiscally sound use of HUD resources, GMC demonstrates that HUD can efficiently and effectively manage its grants programs, restoring the public's trust in the Department.

Auditee Comments



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, D.C. 20410-5000

OFFICE OF THE ASSISTANT SECRETARY
FOR PUBLIC AND INDIAN HOUSING

JUN 26 2002

MEMORANDUM FOR: Saundra G. Elion, District Inspector General for Audit,
Capital District, 3GGA

THRU: Paula O. Blunt, General Deputy Assistant Secretary for Public and Indian Housing, P

FROM: Michael E. Diggs, Director, Grants Management Center, PG

SUBJECT: Response to DRAFT REPORT Office of Inspector General Audit Report –
The Grants Management Center's Operation

In accordance with the exit conference held on Wednesday June 5, 2002 with Mr. James Gleason of the Office of Inspector General (OIG) and representatives of the Office of Public and Indian Housing, Grants Management Center (GMC) management, I offer you the following comments to record the discussion of the recommended changes to the DRAFT Subject Report.

In general, the report presented a fair picture of the operation of the GMC, but failed to emphasize that of the three programs reviewed, only one program had a single finding ROSS-RSDM while the other two programs (Mainstream and Operating fund) were deemed to be operating well. We ask that the Executive Summary be revised to reflect this fact. The report did not fully explain finding #2. However, the draft audit report did make several positive comments regarding GMC internal controls and other procedures that were being implemented at the GMC. I would like to complement the audit team and the GMC Management team that worked cooperatively during very busy times at the GMC in developing this audit report which I hope will assist in improving the operations at the GMC.

Specifically for each finding and associated recommendation(s), I recommend the following modifications and auditee comments:

FINDING 1:

ROSS Resident Services Delivery Model Applications were Improperly Ranked.

RECOMMENDATION 1:

Assign an individual, or at least one level of management above the grant administrator, to monitor and test compliance with the grant rating and ranking procedures established in the ROSS/RSDM Reviewer's Guide.

Auditee Comments

2

AUDITEE COMMENTS:

The recommendation is accepted by the GMC and efforts were already underway to strengthen this area. GMC's processing of PIH programs include several steps not addressed in the audit that serve to assure a reasonable confidence of the scores assigned applications. Specifically, applications are reviewed independently by 2 reviewers, scores are reconciled if the point difference between the reviewers is greater than 10 points and using the average of the 2 independent reviews as the actual final score virtually eliminates any significant difference in scores. In addition, checks exist in the database that produces all final calculations, i.e., scores to ensure accuracy.

GMC incorporated enhancements to procedures defined in PIH's Grants Management HUD Handbook 7490.1 to establish its operating procedures. Specifically, Handbook 7490.1 provided oversight of the review process by a Grant Administrator; provided that reviewers read no more than 10 applications; and did not require reconciliation to reviews except where reviewer scores were 20 or more points apart. The GMC improved upon this by including Team Leaders to provide direct assistance in the review process; and reduced the point spread from 20 points to 10 points for applications requiring reconciliation. Given limited resources and the volume of applications received by the GMC, reviewers review on average about 30 applications, three times more than the 10 applications recommended in Handbook 7490.1. However, practices implemented by the GMC provide a reasonable confidence that applications are scored appropriately. Two independent reviews of each RSDM application are averaged to produce the final score. All reviews with a score difference of 10 or more points (not the 20 points recommended in Handbook 7490.1) require reconciliation to resolve scoring differences.

The GMC use of its database in the process provides automated edits and checks for potential errors. The individual scores for all components of a rating factor are entered and calculated in the database for each reviewer. The database also produces the average score that is used for the ranking. Consequently, the scores used for the final recommendations are mathematically correct. Error reports are produced where data entered for any rating element is out of the range of possible parameters or not consistent with pre-defined options. Applicable corrections are determined, verified and made in the database.

FINDING 2:**GMC Needs to Develop Baseline Information and Performance Goals and Indicators****RECOMMENDATION 2:**

We recommend that GMC's director:

- 2A. Develop baseline formation for performance comparisons
- 2B. Establish goals to monitor performance in terms of quality, timeliness, and cost
- 2C. Develop key performance indicators that compare actual performance goals.

Auditee Comments

3

AUDITEE COMMENTS:

With the full implementation of the GMC, the draft audit report concluded on page 11 that "PIH has streamlined the grant processing activities in accordance with the HUD 2020 concept. We could not evaluate whether HUD's consolidation of the grant process has resulted in increased efficiency because GMC did not develop or provide the decision-makers with data on how efficiency has improved." GMC has streamlined the grant functions as intended by HUD 2020. It is not clear to GMC management as to what baseline information is required and what measurements would resolve this issue. Therefore, the GMC feels that the Inspector General's recommendation #2 is unclear and has asked for further guidance on this finding and the recommendations 2A, 2B, and 2C. The GMC management looks forward to working with the Inspector General to meet the requirements recommended by the Inspector General. The Inspector General concluded on page ii that GMC management did not compare actual operation to planned or expected results, instead tried to link its activities in HUD's strategic goals (see Appendix A). We ask that this statement be completely removed from the report since it is untrue. GMC management did not link its activities to HUD's Strategic goals or BOP goals solely. These were broad Departmental initiatives established by HUD to meet broad goals and objectives of the Department. As indicated repeatedly, GMC management utilized contractor support Accenture, Microsoft Project and other management tracking tools to compare actual operation to planned or expected results. The GMC does track performance utilizing Microsoft Project software and other management tracking tools which track workload performance. Appendix A should be completely removed from the report since it is irrelevant to the draft report. GMC management agrees with the Inspector General that there is no apparent historical data or statistical analysis that indicates pre-GMC and post-GMC (i.e., historical and baseline/benchmark information). GMC asked whether contractor assistance to develop such a report should be done. The Inspector General indicated that there is internal assistance that could assist in this endeavor. GMC awaits the OIG direction on this issue.

If you have any questions or comments regarding this response, please feel free to contact me on (202) 708-0614 extension 7666.

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